

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 PRS-01 /109 W
-----089398 111009Z /12

P R 110800Z AUG 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 0091
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
RUFHBSXAMEMBASSY BRUSSELS 2239
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 4 OF 4 TOKYO 12180

10. WHOLESALE PRICES DECLINED IN JULY FOR SECOND
STRAIGHT MONTH WITH ACCELERATING RATE OF DECLINE FROM JUNE,
BOJ ANNOUNCED AUGUST 9. WHOLESALE PRICES OF ALL COMMODITIES
(N.S.A.) RECORDED 0.5 PERCENT MONTHLY DECLINE IN JULY
FOLLOWING 0.2 PERCENT DROP IN JUNE AND BROUGHT JULY 1977
YEAR-OVER-YEAR RISE TO A MEAGER 1.1 PERCENT. WHOLESALE
PRICES OF MANUFACTURED GOODS ALSO FELL IN JULY, BY 0.3 PER
CENT, ON TOP OF 0.1 PERCENT DECLINE IN PRIOR MONTH; THE
YEAR-OVER-YEAR INCREASE WAS 0.9 PERCENT FOR JULY 1977.
MOST OF JULY'S SHARP DROP IN WHOLESALE PRICES WAS ATTRIBUTED
TO THE RECENT 3 PERCENT APPRECIATION OF THE YEN.

WHOLESALE PRICES
(INDEX, N.S.A.; 1970 EQUALS 100; PCT CHANGE FROM PRIOR
MONTH IN PARENS)

ALL COMMODITIES (JEI 471)		MANUFACTURES (JEI 487)	
APR	169.4 (MIN 0.1)		159.9 (0.1)
MAY	169.6 (0.1)		160.1 (0.1)
JUN	169.2 (MIN 0.2)		159.9 (MIN 0.1)

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JUL	168.3 (MIN 0.5)		159.5 (MIN 0.3)
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11. CALL MONEY RATES WERE CHANGED ONCE IN JULY, REFLECTING
SEASONAL CREDIT TIGHTENING, CALL MONEY BROKERS RAISED
UNCONDITIONAL CALL MONEY RATE BY 0.125 PERCENTAGE POINTS
TO 5.75 PERCENT PER ANNUM, EFFECTIVE JULY 23. AS A RESULT,
AVERAGE CALL MONEY RATE (JEI 178) WAS 5.659 PERCENT
PER ANNUM FOR JULY AS COMPARED WITH 5.476 PERCENT PER ANNUM
IN JUNE. BILL DISCOUNT RATE HAS REMAINED UNCHANGED AT
6.25 PERCENT PER ANNUM SINCE JUNE 24.

12. SECONDARY MARKET BOND YIELDS DECLINED SHARPLY IN JULY. THE 0.4 TO 0.6 PERCENTAGE POINT MONTHLY DROP IN BOND YIELDS IN JULY WAS AS LARGE AS THE DECLINES IN APRIL THIS YEAR. THE JULY DECLINE WAS THE EIGHTH CONSECUTIVE MONTH OF FALLING YIELDS, PUSHING ANNUAL INTEREST RATES ON TEN-YEAR-MATURITY GOVT AND TELEPHONE/TELEGRAPH BONDS BELOW 7 PERCENT LEVEL AT END OF JULY THIS LED TO FURTHER CUTS IN THE COUPON RATES ON LONG-TERM BONDS DURING AUGUST AS PREVIOUSLY REPORTED.

SECONDARY MARKET BOND YIELDS

(ANNUAL RATE, IN PERCENT)

END OF MO	GOVT BONDS	NTT BONDS	INDUSTRIAL BONDS
MAY	7.426	7.612	7.474
JUN	7.315	7.474	7.424
JUL	6.748	6.811	7.009

13. FOLLOWING ARE EXPORT AND IMPORT CONTRACT PRICE INDICES COMPILED BY BOJ (ALL COMMODITIES, 1970 EQUALS 100, NOT SEASONALLY ADJUSTED).

EXPORTS	IMPORTS
(JEI 80)	(JEI 88)

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APR	136.0	212.3
MAY	137.0	213.0
JUN	136.5	208.0

14. MINISTRY OF FINANCE (MOF) AUTHORIZED SEMI-OFFICIALLY GOVT-AFFILIATED ENTERPRISES IN BRAZIL AND DENMARK TO ISSUE YEN-DENOMINATED BONDS THROUGH PRIVATE OFFERING, NIHON KEIZAI REPORTED RECENTLY. ACCORDING TO THIS REPORT, COMPANHIA VALE DO RIO DOCE, RESOURCE DEVELOPMENT COMPANY PLANS TO ISSUE YEN BONDS AMOUNTING TO 10 BIL YEN (38 MIL DOLLARS EQUIVALENT) IN MID-SEPTEMBER. NEGOTIATION ON ISSUE CONDITIONS IS UNDERWAY BETWEEN VALE DO RIO DOCE AND MANAGING UNDERWRITER, INDUSTRIAL BANK OF JAPAN, BUT BRAZILIAN BONDS ARE LIKELY TO CARRY COUPON RATE SLIGHTLY ABOVE LONG-TERM PRIME RATE (CURRENTLY 7.9 PERCENT PER ANNUM) WITH REDEMPTION PERIOD OF 10 YEARS. ABOUT 20 JAPANESE BANKS AND SECUTITIES FIRMS ARE ALSO EXPECTED TO JOIN THIS BOND PLACEMENT AS UNDERWRITERS. MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK ALSO INTENDS TO PLACE YEN BONDS TOTALING AROUND 10 BIL YEN (DURING OCTOBER-DECEMBER PERIOD) THROUGH PRIVATE OFFERING. MITSUBISHI TRUST BANK WILL BECOME MANAGING UNDERWRITER FOR THIS DANISH BOND ISSUE.

MANSFIELD

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